

PART II
DEFINITIONS

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3 NEW SECTION. **Sec. 201.** INTRODUCTORY. Unless the context clearly
4 requires otherwise, the definitions in sections 202 through 212 of this
5 act apply throughout this title.

6 NEW SECTION. **Sec. 202.** ADJUSTED GROSS INCOME. "Adjusted gross
7 income" means adjusted gross income as determined under the internal
8 revenue code.

9 NEW SECTION. **Sec. 203.** DEPARTMENT. "Department" means the state
10 department of revenue.

11 NEW SECTION. **Sec. 204.** FEDERAL BASE INCOME. "Federal base
12 income" means:

- 13 (1) For individuals, adjusted gross income;
- 14 (2) For estates and trusts, taxable income as determined for
15 estates and trusts consistent with subtitle A, chapter I, subchapter J
16 of the internal revenue code.

17 NEW SECTION. **Sec. 205.** INDIVIDUAL. "Individual" means a natural
18 person.

19 NEW SECTION. **Sec. 206.** INTERNAL REVENUE CODE. "Internal revenue
20 code" means the United States internal revenue code of 1986 and
21 amendments thereto, as existing and in effect on January 1, 2006.

22 NEW SECTION. **Sec. 207.** PERSON. "Person" includes individuals,
23 partnerships, firms, companies, fiduciaries, estates, trusts, and any
24 other group or combination acting as a unit, but does not include
25 corporations.

26 NEW SECTION. **Sec. 208.** RESIDENT. (1) "Resident" includes an
27 individual who:

- 28 (a) Has resided in this state for the entire tax year; or
- 29 (b) Is domiciled in this state unless the individual:
- 30 (i) Maintains no permanent place of abode in this state; and
- 31 (ii) Does not maintain a permanent place of abode elsewhere; and

1 (iii) Spends in the aggregate not more than thirty days in the tax
2 year in this state; or

3 (c) Is not domiciled in this state, but maintains a permanent place
4 of abode in this state and spends in the aggregate more than one
5 hundred eighty-three days of the tax year in this state unless the
6 individual establishes to the satisfaction of the director of revenue
7 that the individual is in the state only for temporary or transitory
8 purposes; or

9 (d) Claims the state of Washington as the individual's tax home for
10 federal income tax purposes.

11 (2) A resident estate means an estate of which a personal
12 representative was appointed by a Washington court or an estate
13 administration of which is carried on in this state.

14 (3) A resident trust means a trust whose situs as determined by RCW
15 11.96A.030 is within the state of Washington.

16 NEW SECTION. **Sec. 209.** S CORPORATION. "S corporation" means an
17 S corporation as defined in section 1361 of the internal revenue code.

18 NEW SECTION. **Sec. 210.** TAXABLE INCOME. "Taxable income" means
19 federal base income as modified under sections 401 through 503 of this
20 act.

21 NEW SECTION. **Sec. 211.** TAXABLE YEAR. "Taxable year" means the
22 taxpayer's taxable year as defined under the internal revenue code.

23 NEW SECTION. **Sec. 212.** TAXPAYER. "Taxpayer" means a person
24 receiving income subject to tax under this title.

25 NEW SECTION. **Sec. 213.** DEFINITION OF TERMS GENERALLY. Except as
26 provided in sections 201 through 212 of this act, any term used in this
27 title has the same meaning as when used in a comparable context in the
28 internal revenue code.

29 **PART III**
30 **DETERMINATION OF TAX**

1 NEW SECTION. Sec. 301. TAX IMPOSED--RATES. (1) A tax is imposed
2 on all taxable income of resident individuals, estates, and trusts and
3 on all individuals, estates, and trusts deriving income from sources in
4 Washington for each taxable year based on the type of return filed and
5 the amount of income in accordance with this section.

6 (2) For every married individual who makes a single return jointly
7 with his or her spouse and for every surviving spouse, the tax shall be
8 determined in accordance with the following table:

9 If taxable income is:	10 The tax is:
11 Not over \$49,900	12 2.2% of taxable income
13 Over \$49,900 but not over \$120,650	14 \$1,098 plus 3.5% of the excess over \$49,900
15 Over \$120,650	16 \$3,574 plus 6.0% of the excess over \$120,650

17 (3) For every head of a household, the tax shall be determined in
18 accordance with the following table:

19 If taxable income is:	20 The tax is:
21 Not over \$37,425	22 2.2% of taxable income
23 Over \$37,425 but not over \$90,488	24 \$823 plus 3.5% of the excess over \$37,425
25 Over \$90,488	26 \$2,681 plus 6.0% of the excess over \$90,488

27 (4) For every individual, other than a surviving spouse or the head
28 of a household, who is not a married individual and for every married
29 individual who does not make a single return jointly with his or her
30 spouse and for every estate and trust, the tax shall be determined in
31 accordance with the following table:

32 If taxable income is:	33 The tax is:
34 Not over \$24,950	35 2.2% of taxable income
36 Over \$24,950 but not over \$60,325	37 \$549 plus 3.5% of the excess over \$24,950
38 Over \$60,325	39 \$1,787 plus 6.0% of the excess over \$60,325

40 (5) Taxable income of a taxpayer exempt from taxation by internal
41 revenue code section 501 is exempt from taxation by this title.

42 NEW SECTION. Sec. 302. CREDIT FOR INCOME TAXES DUE ANOTHER
43 JURISDICTION. (1) A resident individual, estate, or trust is allowed

1 a credit against the tax imposed under this title for the amount of any
2 income tax imposed by another state or foreign country, or political
3 subdivision of the state or foreign country, on income taxed under this
4 title, subject to the following conditions, which shall be imposed
5 separately with respect to each taxing jurisdiction:

6 (a) The credit is allowed only for taxes imposed by the other
7 jurisdiction on net income from sources within that jurisdiction; and

8 (b) The amount of the credit shall not exceed the smaller of:

9 (i) The amount of tax paid to the other jurisdiction on net income
10 from sources within the other jurisdiction; or

11 (ii) The amount of tax due under this title before application of
12 credits allowable by this title, multiplied by a fraction. The
13 numerator of the fraction is the amount of the taxpayer's adjusted
14 gross income subject to tax in the other jurisdiction. The denominator
15 of the fraction is the taxpayer's total adjusted gross income as
16 modified by this title. The fraction shall never be greater than one.

17 (2) If, in lieu of a credit similar to the credit allowed under
18 subsection (1) of this section, the laws of the other taxing
19 jurisdiction contain a provision exempting a resident of this state
20 from liability for the payment of income taxes on income earned for
21 personal services performed in such jurisdiction, then the director is
22 authorized to enter into a reciprocal agreement with such jurisdiction
23 providing a similar tax exemption on income earned for personal
24 services performed in this state.

25 NEW SECTION. **Sec. 303.** DUAL RESIDENCE. If an individual is
26 regarded as a resident both of this state and another jurisdiction for
27 state personal income tax purposes, the department shall reduce the tax
28 on that portion of the taxpayer's income which is subjected to tax in
29 both jurisdictions solely by virtue of dual residence, if the other
30 taxing jurisdiction allows a similar reduction. The reduction shall
31 equal the lower of the two taxes applicable to the income taxed twice,
32 multiplied by a fraction. The numerator of the fraction is the tax
33 imposed by this state on the income taxed twice. The denominator of
34 the fraction is the tax imposed by both jurisdictions on the income
35 taxed twice. The fraction shall never be greater than one.

1 **TAXABLE INCOME MODIFICATIONS**

2 NEW SECTION. **Sec. 401.** INTRODUCTORY. In computing taxable
3 income, modifications shall be made to the taxpayer's federal base
4 income as required under sections 301 through 410 of this act, unless
5 the modification has the effect of duplicating an item of income or
6 deduction.

7 NEW SECTION. **Sec. 402.** STATE AND LOCAL OBLIGATIONS. To federal
8 base income, add income which has been excluded under section 103 of
9 the internal revenue code in computing federal base income, except
10 interest on obligations of the state of Washington or political
11 subdivisions of the state of Washington.

12 NEW SECTION. **Sec. 403.** STATE AND LOCAL INCOME TAXES--BUSINESS AND
13 OCCUPATION, PUBLIC UTILITY TAXES. To federal base income, add:

14 (1) Taxes on or measured by net income which have been deducted
15 under the internal revenue code in computing federal base income;

16 (2) The amount of taxes paid or accrued which have been deducted
17 for federal purposes, but for which a business and occupation tax
18 credit or public utility tax credit, or both, is allowed.

19 NEW SECTION. **Sec. 404.** NET OPERATING LOSS. There shall be
20 allowed as a deduction from federal base income the amount of net
21 operating loss as allowed in section 172 of the internal revenue code.
22 The calculation of the loss amount shall reflect the modifications to
23 federal base income as provided in this title and a net operating loss
24 deduction may include a loss carried forward to the tax year but shall
25 not include a loss carried back from a future year.

26 NEW SECTION. **Sec. 405.** CARRYOVERS. To federal base income, add
27 amounts which have been deducted in computing federal base income to
28 the extent the amounts have been carried over from taxable years ending
29 before the effective date of this title.

30 NEW SECTION. **Sec. 406.** FEDERAL OBLIGATIONS. From federal base
31 income, deduct, to the extent included in federal base income, income
32 derived from obligations of the United States which this state is
33 prohibited by federal law from subjecting to a net income tax.

1 However, the amount deducted under this section shall be reduced by any
2 expense, including amortizable bond premiums, incurred in the
3 production of such income to the extent the expense has been deducted
4 in calculating federal base income.

5 NEW SECTION. **Sec. 407.** STANDARD DEDUCTION--PERSONAL EXEMPTION.

6 There shall be allowed from federal base income the following standard
7 deductions and personal exemption deduction:

8 (1) The standard deduction for an individual shall be:

9 (a) In the case of a joint return or a surviving spouse, seven
10 thousand dollars if only one spouse has earned income and seven
11 thousand dollars plus the earned income of the spouse with the lesser
12 income, not to exceed ten thousand dollars in total, if both spouses
13 have earned income;

14 (b) In the case of the head of a household, seven thousand dollars;

15 (c) In the case of an individual who is not married and who is not
16 a surviving spouse or head of a household and in the case of a married
17 individual filing a separate return, five thousand dollars.

18 (2) A personal exemption deduction in the amount of two thousand
19 nine hundred dollars shall be allowed for each individual for whom a
20 personal exemption deduction is allowed for federal income tax
21 purposes.

22 (3) An additional exemption deduction in the amount of one thousand
23 dollars shall be allowed:

24 (a) For the individual if the individual has attained age sixty-
25 five before the close of the taxable year; and

26 (b) For the spouse of the individual if the spouse has attained age
27 sixty-five before the close of the taxable year if a joint return is
28 not made by the individual and the individual's spouse and the spouse,
29 for the calendar year in which the taxable year of the individual
30 begins, has no gross income and is not the dependent of another
31 individual.

32 (4) An additional exemption deduction in the amount of one thousand
33 dollars shall be allowed:

34 (a) For the individual if the individual is blind at the close of
35 the taxable year; and

36 (b) For the spouse of the individual if the spouse is blind at the
37 close of the taxable year if a joint return is not made by the

1 individual and the individual's spouse and the spouse, for the calendar
2 year in which the taxable year of the individual begins, has no gross
3 income and is not the dependent of another individual.

4 NEW SECTION. **Sec. 408.** ADJUSTMENT OF DEDUCTIONS AND EXEMPTIONS
5 FOR NONRESIDENTS. The deductions from federal base income allowed
6 under section 407 of this act for individual taxpayers who are not
7 residents of this state for the entire taxable year shall be reduced by
8 multiplying the amount of the deductions by a fraction. The numerator
9 of the fraction is the individual's adjusted gross income attributable
10 to sources within the state of Washington. The denominator of the
11 fraction is the individual's gross income from all sources. The
12 fraction shall never be greater than one.

13 NEW SECTION. **Sec. 409.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If
14 the first taxable year of any taxpayer with respect to which a tax is
15 imposed by this title ends before December 31st of the calendar year in
16 which this title becomes effective, the taxable income for the
17 fractional taxable year shall be the taxpayer's taxable income for the
18 entire taxable year, adjusted by one of the following methods, at the
19 taxpayer's election:

20 (a) The taxable income shall be multiplied by a fraction. The
21 numerator of the fraction is the number of days in the fractional
22 taxable year. The denominator of the fraction is the number of days in
23 the entire taxable year.

24 (b) The taxable income shall be adjusted, in accordance with rules
25 of the department, so as to include only such income and be reduced
26 only by such deductions as can be clearly determined from the permanent
27 records of the taxpayer to be attributable to the fractional taxable
28 year.

29 (2) If an individual taxpayer's taxable income is adjusted under
30 subsection (1) of this section, the deduction amounts allowed under
31 section 407 of this act for the taxpayer shall be reduced by
32 multiplying the amount of the exemption by a fraction. The numerator
33 of the fraction is the number of days in the taxpayer's fractional
34 taxable year. The denominator of the fraction is the number of days in
35 the entire taxable year.

1 deductions derived from or connected with sources in this state but
2 shall otherwise be determined in the same manner as the corresponding
3 federal deduction except as provided in this title.

4 (d) Income from intangible personal property, including annuities,
5 dividends, interest, and gains from the disposition of intangible
6 personal property, constitutes income derived from sources within the
7 state of Washington only to the extent that such income is from
8 property employed in a business, trade, profession, or occupation
9 carried on within this state: PROVIDED, That distributed and
10 undistributed income of an electing S corporation for federal tax
11 purposes derived from or connected with sources within this state is
12 income derived from sources within this state for a nonresident
13 shareholder. A net operating loss of such corporation does constitute
14 a loss or deduction connected with sources within this state for a
15 nonresident shareholder.

16 (e) Compensation paid by the United States for service in the armed
17 forces of the United States performed in this state by a nonresident
18 does not constitute income derived from sources within this state.

19 (f) If a business, trade, profession, or occupation is carried on
20 partly within and partly without this state, the determination of net
21 income derived or connected with sources within this state as provided
22 in this section shall be made by apportionment and allocation of
23 chapter 82.56 RCW.

24 NEW SECTION. **Sec. 502.** PARTNERSHIPS AND S CORPORATIONS. (1)

25 Partnerships are not subject to tax under this title. Partners are
26 subject to tax in their separate or individual capacities.

27 (2) S corporations are not subject to tax under this title.
28 Shareholders of S corporations are subject to tax in their separate or
29 individual capacities.

30 (3) The taxable incomes of partners shall be computed by including
31 a pro rata share of the modifications under sections 401 through 503 of
32 this act and the credits allowed under sections 302, 304, and 305 of
33 this act, if the modification or credit relates to the income of the
34 partnership. Each partner's pro rata share of a modification or credit
35 is the amount of modification or credit multiplied by a fraction. The
36 numerator of the fraction is the partner's distributive share of

1 partnership income. The denominator of the fraction is the total
2 partnership income. The fraction shall never be greater than one.

3 (4) The taxable incomes of shareholders of S corporations shall be
4 computed by including a share of the modifications under sections 401
5 through 503 of this act and the credits allowed under sections 302,
6 304, and 305 of this act, if the modification or credit relates to the
7 income of the S corporation. Each shareholder's share of a
8 modification or credit is the amount of modification or credit
9 multiplied by a fraction. The numerator of the fraction is the
10 shareholder's pro rata share of S corporation income. The denominator
11 of the fraction is the total S corporation income. The fraction shall
12 never be greater than one.

13 (5) As used in this section:

14 (a) "S corporation income" includes both distributed and
15 undistributed federal taxable income of the S corporation.

16 (b) "Pro rata share" means pro rata share as determined under
17 section 1366(a) of the internal revenue code.

18 NEW SECTION. **Sec. 503.** ESTATES, TRUSTS, AND BENEFICIARIES. (1)
19 The taxable incomes of estates, trusts, and beneficiaries thereof shall
20 be computed by including a share of the modifications under sections
21 401 through 503 of this act and the credits allowed under sections 302,
22 304, and 305 of this act.

23 Each taxpayer's share of a modification or credit is the amount of
24 modification or credit multiplied by a fraction. The numerator of the
25 fraction is the taxpayer's share of the distributable net income of the
26 estate or trust. The denominator of the fraction is the total
27 distributable net income of the estate or trust. The fraction shall
28 never be greater than one.

29 (2) As used in this section, "distributable net income" means
30 distributable net income as defined in the internal revenue code. If
31 an estate or trust has no federal distributable net income, the term
32 means the income of the estate or trust which is distributed or is
33 required to be distributed during the taxable year under local law or
34 the terms of the estate or trust instrument.

35 (3) Any portion of a modification which is not included in
36 calculating the taxable incomes of the beneficiaries shall be included
37 in calculating the taxable income of the trust or estate.

1 by this title to file a return, a refund may be obtained in the amount
2 of the credit by filing a return, with applicable sections completed,
3 to claim the refund. No credit or refund is allowed under this section
4 unless the credit or refund is claimed on a return filed for the
5 taxable year for which the amount was deducted and withheld.

6 NEW SECTION. **Sec. 604.** WITHHOLDING--EXEMPTION DECLARATIONS. An
7 employee shall be entitled to use and an employer shall use the
8 withholding exemption declaration on file with the employer for federal
9 income tax purposes. The department may redetermine the number of
10 withholding exemptions to which any employee is entitled, and the
11 department may require an additional withholding exemption declaration
12 to be filed on a form prescribed by the department where the department
13 finds that the exemption declaration filed for federal income tax
14 purposes does not properly reflect the number of withholding exemptions
15 to which the employee is entitled.

16 NEW SECTION. **Sec. 605.** WITHHOLDING--FAILURE TO PAY OR COLLECT--
17 PENALTIES. (1) The tax required by this title to be collected by the
18 employer shall be deemed to be held in trust by the employer until paid
19 to the department.

20 (2) In case any employer, or a responsible person within the
21 meaning of internal revenue code section 6672, fails to collect the tax
22 herein imposed or having collected the tax, fails to pay it to the
23 department, the employer or responsible person shall, nevertheless, be
24 personally liable to the state for the amount of the tax. The interest
25 and penalty provisions of chapter 82.32 RCW shall apply to this
26 section.

27 NEW SECTION. **Sec. 606.** ESTIMATED TAX IMPOSED--DUE DATE OF
28 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)
29 Each individual, estate, or trust subject to taxation by this title
30 which is required by the internal revenue code to make payment of
31 estimated taxes shall pay to the department on forms prescribed by the
32 department the estimated taxes due under this title.

33 (2) The provisions of the internal revenue code relating to the
34 determination of reporting periods and due dates of payments of

1 estimated tax applies to the estimated tax payments due under this
2 section.

3 (3) The amount of the estimated tax shall be the annualized tax
4 divided by the number of months in the reporting period. No estimated
5 tax shall be due if the annualized tax is less than five hundred
6 dollars. The provisions of RCW 82.32.050 and 82.32.090 shall apply to
7 underpayments of estimated tax but shall not apply to underpayments, as
8 defined by the internal revenue code, if the tax remitted to the
9 department is either ninety percent of the tax shown on the return or
10 one hundred percent of the tax shown on the previous year's tax return.

11 (4) For purposes of this section, the annualized tax is the
12 taxpayer's projected tax liability for the tax year as computed
13 pursuant to internal revenue code section 6654 and the regulations
14 thereunder.

15 **PART VII**
16 **CRIMES**

17 NEW SECTION. **Sec. 701.** CRIMES. (1) Any person who knowingly
18 attempts to evade the tax imposed under this title or payment thereof
19 is guilty of a class C felony as provided in chapter 9A.20 RCW.

20 (2) Any person required to collect tax imposed under this title who
21 knowingly fails to collect, truthfully account for, or pay over the tax
22 is guilty of a class C felony as provided in chapter 9A.20 RCW.

23 (3) Any person who knowingly fails to pay tax, pay estimated tax,
24 make returns, keep records, or supply information, as required under
25 this title, is guilty of a gross misdemeanor as provided in chapter
26 9A.20 RCW.

27 **PART VIII**
28 **ADMINISTRATIVE PROVISIONS**

29 NEW SECTION. **Sec. 801.** METHOD OF ACCOUNTING. (1) A taxpayer's
30 method of accounting for purposes of the tax imposed under this title
31 shall be the same as the taxpayer's method of accounting for federal
32 income tax purposes. If no method of accounting has been regularly
33 used by a taxpayer for federal income tax purposes or if the method

1 used does not clearly reflect income, tax due under this title shall be
2 computed by a method of accounting which in the opinion of the
3 department fairly reflects income.

4 (2) If a person's method of accounting is changed for federal
5 income tax purposes, it shall be similarly changed for purposes of this
6 title.

7 NEW SECTION. **Sec. 802.** PERSONS REQUIRED TO FILE RETURNS. (1) All
8 taxpayers shall file with the department, on forms prescribed by the
9 department, an income tax return for each tax year. Each person
10 required to file a return under this title shall, without assessment,
11 notice, or demand, pay any tax due thereon to the department on or
12 before the date fixed for the filing of the return.

13 (2) The department may by rule require that certain taxpayers file,
14 on forms prescribed by the department, informational returns for any
15 period. Each person required by rule to file an informational return
16 shall, without assessment, notice, or demand, pay any tax due thereon
17 to the department on or before the date fixed for the filing of the
18 informational return.

19 (3) If an adjustment to a taxpayer's federal return is made by the
20 taxpayer or the internal revenue service, the taxpayer shall, within
21 ninety days of the final determination of the adjustment by the
22 internal revenue service or within thirty days of the filing of a
23 federal return adjusted by the taxpayer, file with the department on
24 forms prescribed by the department a corrected return reflecting the
25 adjustments as finally determined. The taxpayer shall pay any
26 additional tax due resulting from the finally determined internal
27 revenue service adjustment or a taxpayer adjustment without notice and
28 assessment. Notwithstanding any provision of this title or any other
29 title to the contrary, the period of limitation for the collection of
30 the additional tax, interest, and penalty due as a result of an
31 adjustment by the taxpayer or a finally determined internal revenue
32 service adjustment shall begin at the later of thirty days following
33 the final determination of the adjustment or the date of the filing of
34 the corrected return.

35 NEW SECTION. **Sec. 803.** DUE DATE FOR FILING A RETURN--EXTENSIONS--
36 INTEREST AND PENALTIES. The due date of a return required to be filed

1 with the department shall be the due date of the federal income tax
2 return or informational return for federal income tax purposes. The
3 department shall have the authority to grant extensions of times by
4 which returns required to be filed by this title may be submitted. The
5 department shall also have the authority to grant extensions of time to
6 pay tax with regard to taxes imposed by this title. Interest at the
7 rate as specified in RCW 82.32.050 shall accrue during any extension
8 period and the interest and penalty provisions of chapter 82.32 RCW
9 shall apply to late payments and deficiencies. Notwithstanding the
10 limitation of RCW 82.32.090, in the case of the late filing of an
11 informational return, there shall be imposed a penalty the amount of
12 which shall be established by the department by rule. The penalty
13 shall not exceed fifty dollars per month for a maximum of ten months.
14 RCW 82.32.105 shall apply to this section.

15 NEW SECTION. **Sec. 804.** JOINT RETURN. (1) If the federal income
16 tax liabilities of both spouses are determined on a joint federal
17 return for the taxable year, they shall file a joint return under this
18 title unless one spouse is a resident and the other is a nonresident.

19 (2) If neither spouse is required to file a federal income tax
20 return for the taxable year, a joint return may be filed under this
21 title under the same conditions under which a joint return may be filed
22 for purposes of the federal income tax.

23 (3) If the federal income tax liability of either spouse is
24 determined on a separate federal return for the taxable year, they
25 shall file separate returns under this title.

26 (4) If one spouse is a resident and the other is a nonresident,
27 they shall file separate returns under this title, unless they elect to
28 determine their tax liabilities under this title on a joint return as
29 if they were both residents, and:

30 (a) Their federal tax liability for the taxable year was determined
31 on a joint federal return; or

32 (b) Neither spouse has filed a federal income tax return for the
33 taxable year and they would be permitted to file a joint federal return
34 for the taxable year.

35 (5) In any case in which a joint return is filed under this
36 section, the liability of the husband and wife is joint and several,

1 unless the spouse is relieved of liability under section 6013 of the
2 internal revenue code.

3 NEW SECTION. **Sec. 805.** RECORDS--RETURNS. (1) Every taxpayer and
4 every person required to deduct and withhold the tax imposed under this
5 title shall keep records, render statements, make returns, file
6 reports, and perform other acts as the department requires by rule.
7 Each return shall be made under penalty of perjury and on forms
8 prescribed by the department. The department may require other
9 statements and reports be made under penalty of perjury and on forms
10 prescribed by the department. The department may require any taxpayer
11 and any person required to deduct and withhold the tax imposed under
12 this title to furnish to the department a correct copy of any return or
13 document which the taxpayer has filed with the internal revenue service
14 or received from the internal revenue service.

15 (2) All books and records and other papers and documents required
16 to be kept under this title are subject to inspection by the department
17 at all times during business hours of the day.

18 NEW SECTION. **Sec. 806.** ESTIMATION AGREEMENTS. The department may
19 reasonably estimate the items of business or nonbusiness income of a
20 taxpayer having an office within the state and one or more other states
21 or foreign countries which may be apportioned or allocated to the state
22 and may enter into estimation agreements with such taxpayers for the
23 determination of their liability for the tax imposed by this title.

24 NEW SECTION. **Sec. 807.** PROVISIONS OF INTERNAL REVENUE CODE
25 CONTROL. (1) To the extent possible without being inconsistent with
26 this title, all of the provisions of the internal revenue code relating
27 to the following subjects apply to the taxes imposed under this title:

28 (a) Time of payment of tax deducted and withheld under sections 301
29 through 306 of this act;

30 (b) Liability of transferees;

31 (c) Time and manner of making returns, extensions of time for
32 filing returns, verification of returns, and the time when a return is
33 deemed filed.

34 (2) The department by rule may provide modifications and exceptions

1 to the provisions listed in subsection (1) of this section, if
2 reasonably necessary to facilitate the prompt, efficient, and equitable
3 collection of tax under this title.

4 NEW SECTION. **Sec. 808.** REFUNDS OF OVERPAYMENTS--OTHER
5 ADMINISTRATIVE PROVISIONS. (1) The department shall refund all taxes
6 improperly paid or collected.

7 (2) The following sections shall apply to the administration of
8 taxes imposed under this title: 82.32.020, 82.32.050, 82.32.060,
9 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,
10 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,
11 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,
12 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,
13 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, and 82.32.380.

14 NEW SECTION. **Sec. 809.** RULES. The department may adopt rules
15 under chapter 34.05 RCW for the administration and enforcement of this
16 title. The rules, to the extent possible without being inconsistent
17 with this title, shall follow the internal revenue code and the
18 regulations and rulings of the United States treasury department with
19 respect to the federal income tax. The department may adopt as a part
20 of these rules any portions of the internal revenue code and treasury
21 department regulations and rulings, in whole or in part.

22 **PART IX**
23 **APPEALS**

24 **Sec. 901.** RCW 82.03.130 and 2005 c 253 s 7 are each amended to
25 read as follows:

26 (1) The board shall have jurisdiction to decide the following types
27 of appeals:

- 28 (a) Appeals taken pursuant to RCW 82.03.190.
- 29 (b) Appeals from a county board of equalization pursuant to RCW
30 84.08.130.

31 (c) Appeals by an assessor or landowner from an order of the
32 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if
33 filed with the board of tax appeals within thirty days after the

1 mailing of the order, the right to such an appeal being hereby
2 established.

3 (d) Appeals by an assessor or owner of an intercounty public
4 utility or private car company from determinations by the director of
5 revenue of equalized assessed valuation of property and the
6 apportionment thereof to a county made pursuant to chapter 84.12 and
7 84.16 RCW, if filed with the board of tax appeals within thirty days
8 after mailing of the determination, the right to such appeal being
9 hereby established.

10 (e) Appeals by an assessor, landowner, or owner of an intercounty
11 public utility or private car company from a determination of any
12 county indicated ratio for such county compiled by the department of
13 revenue pursuant to RCW 84.48.075: PROVIDED, That

14 (i) Said appeal be filed after review of the ratio under RCW
15 84.48.075(3) and not later than fifteen days after the mailing of the
16 certification; and

17 (ii) The hearing before the board shall be expeditiously held in
18 accordance with rules prescribed by the board and shall take precedence
19 over all matters of the same character.

20 (f) Appeals from the decisions of sale price of second class
21 shorelands on navigable lakes by the department of natural resources
22 pursuant to RCW ((~~79.94.210~~)) 79.125.450.

23 (g) Appeals from urban redevelopment property tax apportionment
24 district proposals established by governmental ordinances pursuant to
25 RCW 39.88.060.

26 (h) Appeals from interest rates as determined by the department of
27 revenue for use in valuing farmland under current use assessment
28 pursuant to RCW 84.34.065.

29 (i) Appeals from revisions to stumpage value tables used to
30 determine value by the department of revenue pursuant to RCW 84.33.091.

31 (j) Appeals from denial of tax exemption application by the
32 department of revenue pursuant to RCW 84.36.850.

33 (k) Appeals pursuant to RCW 84.40.038(3).

34 (l) Appeals pursuant to RCW 84.39.020.

35 (m) Appeals relating to income tax deficiencies and refunds,
36 including penalties and interest, under Title 82A RCW (sections 101
37 through 809 of this act).

1 (2) Except as otherwise specifically provided by law hereafter, the
2 provisions of RCW 1.12.070 shall apply to all notices of appeal filed
3 with the board of tax appeals.

4 **Sec. 902.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to
5 read as follows:

6 In all appeals over which the board has jurisdiction under RCW
7 82.03.130, a party taking an appeal may elect either a formal or an
8 informal hearing, such election to be made according to rules of
9 practice and procedure to be promulgated by the board: PROVIDED, That
10 nothing shall prevent the assessor or taxpayer, as a party to an appeal
11 pursuant to RCW 84.08.130, within twenty days from the date of the
12 receipt of the notice of appeal, from filing with the clerk of the
13 board notice of intention that the hearing be a formal one: PROVIDED,
14 HOWEVER, That nothing herein shall be construed to modify the
15 provisions of RCW 82.03.190: AND PROVIDED FURTHER, That upon an appeal
16 under RCW 82.03.130(1) (e) or (m), the director of revenue may, within
17 ten days from the date of its receipt of the notice of appeal, file
18 with the clerk of the board notice of its (~~intention that the hearing~~
19 ~~be held pursuant to chapter 34.05 RCW~~) election of a formal hearing.
20 In the event that appeals are taken from the same decision, order, or
21 determination, as the case may be, by different parties and only one of
22 such parties elects a formal hearing, a formal hearing shall be
23 granted.

24 **PART X**

25 **APPLICATION OF TAX TO PUBLIC PENSIONS**

26 **Sec. 1001.** RCW 2.10.180 and 1991 c 365 s 18 are each amended to
27 read as follows:

28 (1) Except as provided in subsections (2), (3), (~~and~~) (4), and
29 (5) of this section, the right of a person to a retirement allowance,
30 disability allowance, or death benefit, the retirement, disability or
31 death allowance itself, any optional benefit, any other right accrued
32 or accruing to any person under the provisions of this chapter, and the
33 moneys in the fund created under this chapter, are hereby exempt from
34 any state, county, municipal, or other local tax and shall not be

1 subject to execution, garnishment, or any other process of law
2 whatsoever.

3 (2) Subsection (1) of this section shall not be deemed to prohibit
4 a beneficiary of a retirement allowance from authorizing deductions
5 therefrom for payment of premiums due on any group insurance policy or
6 plan issued for the benefit of a group comprised of public employees of
7 the state of Washington.

8 (3) Deductions made in the past from retirement benefits are hereby
9 expressly recognized, ratified, and affirmed. Future deductions may
10 only be made in accordance with this section.

11 (4) Subsection (1) of this section shall not prohibit the
12 department of retirement systems from complying with (a) a wage
13 assignment order for child support issued pursuant to chapter 26.18
14 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,
15 (c) an order to withhold and deliver issued pursuant to chapter 74.20A
16 RCW, (d) a mandatory benefits assignment order issued pursuant to
17 chapter 41.50 RCW, (e) a court order directing the department of
18 retirement systems to pay benefits directly to an obligee under a
19 dissolution order as defined in RCW 41.50.500(3) which fully complies
20 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
21 order expressly authorized by federal law.

22 (5) Subsection (1) of this section does not exempt any pension or
23 other benefit received under this chapter from tax under Title 82A RCW
24 (sections 101 through 809 of this act), nor does it prohibit the
25 department of retirement systems from complying with the tax
26 withholding requirements of that title.

27 **Sec. 1002.** RCW 2.12.090 and 1991 c 365 s 19 are each amended to
28 read as follows:

29 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
30 (5) of this section, the right of any person to a retirement allowance
31 or optional retirement allowance under the provisions of this chapter
32 and all moneys and investments and income thereof are exempt from any
33 state, county, municipal, or other local tax and shall not be subject
34 to execution, garnishment, attachment, the operation of bankruptcy or
35 the insolvency laws, or other processes of law whatsoever and shall be
36 unassignable except as herein specifically provided.

1 (2) Subsection (1) of this section shall not prohibit the
2 department of retirement systems from complying with (a) a wage
3 assignment order for child support issued pursuant to chapter 26.18
4 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,
5 (c) an order to withhold and deliver issued pursuant to chapter 74.20A
6 RCW, (d) a mandatory benefits assignment order issued pursuant to
7 chapter 41.50 RCW, (e) a court order directing the department of
8 retirement systems to pay benefits directly to an obligee under a
9 dissolution order as defined in RCW 41.50.500(3) which fully complies
10 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
11 order expressly authorized by federal law.

12 (3) Subsection (1) of this section shall not be deemed to prohibit
13 a beneficiary of a retirement allowance from authorizing deductions
14 therefrom for payment of premiums due on any group insurance policy or
15 plan issued for the benefit of a group comprised of public employees of
16 the state of Washington.

17 (4) Deductions made in the past from retirement benefits are hereby
18 expressly recognized, ratified, and affirmed. Future deductions may
19 only be made in accordance with this section.

20 (5) Subsection (1) of this section does not exempt any pension or
21 other benefit received under this chapter from tax under Title 82A RCW
22 (sections 101 through 809 of this act), nor does it prohibit the
23 department of retirement systems from complying with the tax
24 withholding requirements of that title.

25 **Sec. 1003.** RCW 6.13.030 and 1999 c 403 s 4 are each amended to
26 read as follows:

27 A homestead may consist of lands, as described in RCW 6.13.010,
28 regardless of area, but the homestead exemption amount shall not exceed
29 the lesser of (1) the total net value of the lands, mobile home,
30 improvements, and other personal property, as described in RCW
31 6.13.010, or (2) the sum of forty thousand dollars in the case of
32 lands, mobile home, and improvements, or the sum of fifteen thousand
33 dollars in the case of other personal property described in RCW
34 6.13.010(~~(, except where the homestead is subject to execution,~~
35 ~~attachment, or seizure by or under any legal process whatever to~~
36 ~~satisfy a judgment in favor of any state for failure to pay that~~

1 ~~state's income tax on benefits received while a resident of the state~~
2 ~~of Washington from a pension or other retirement plan, in which event~~
3 ~~there shall be no dollar limit on the value of the exemption)).~~

4 **Sec. 1004.** RCW 6.15.020 and 1999 c 81 s 1 and 1999 c 42 s 603 are
5 each reenacted and amended to read as follows:

6 (1) It is the policy of the state of Washington to ensure the well-
7 being of its citizens by protecting retirement income to which they are
8 or may become entitled. For that purpose generally and pursuant to the
9 authority granted to the state of Washington under 11 U.S.C. Sec.
10 522(b)(2), the exemptions in this section relating to retirement
11 benefits are provided.

12 (2) Unless otherwise provided by federal law, any money received by
13 any citizen of the state of Washington as a pension from the government
14 of the United States, whether the same be in the actual possession of
15 such person or be deposited or loaned, shall be exempt from execution,
16 attachment, garnishment, or seizure by or under any legal process
17 whatever, and when a debtor dies, or absconds, and leaves his or her
18 family any money exempted by this subsection, the same shall be exempt
19 to the family as provided in this subsection. This subsection shall
20 not apply to child support collection actions issued under chapter
21 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law, or
22 to collection actions for taxes imposed under Title 82A RCW (sections
23 101 through 809 of this act).

24 (3) The right of a person to a pension, annuity, or retirement
25 allowance or disability allowance, or death benefits, or any optional
26 benefit, or any other right accrued or accruing to any citizen of the
27 state of Washington under any employee benefit plan, and any fund
28 created by such a plan or arrangement, shall be exempt from execution,
29 attachment, garnishment, or seizure by or under any legal process
30 whatever. This subsection shall not apply to child support collection
31 actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise
32 permitted by federal law, or to collection actions for taxes imposed
33 under Title 82A RCW (sections 101 through 809 of this act). This
34 subsection shall permit benefits under any such plan or arrangement to
35 be payable to a spouse, former spouse, child, or other dependent of a
36 participant in such plan to the extent expressly provided for in a
37 qualified domestic relations order that meets the requirements for such

1 orders under the plan, or, in the case of benefits payable under a plan
2 described in sections 403(b) or 408 of the internal revenue code of
3 1986, as amended, or section 409 of such code as in effect before
4 January 1, 1984, to the extent provided in any order issued by a court
5 of competent jurisdiction that provides for maintenance or support.
6 This subsection shall not prohibit actions against an employee benefit
7 plan, or fund for valid obligations incurred by the plan or fund for
8 the benefit of the plan or fund.

9 (4) For the purposes of this section, the term "employee benefit
10 plan" means any plan or arrangement that is described in RCW 49.64.020,
11 including any Keogh plan, whether funded by a trust or by an annuity
12 contract, and in sections 401(a) or 403(a) of the internal revenue code
13 of 1986, as amended; or that is a tax-sheltered annuity described in
14 section 403(b) of such code or an individual retirement account
15 described in section 408 of such code; or a Roth individual retirement
16 account described in section 408A of such code; or a medical savings
17 account described in section 220 of such code; or an education
18 individual retirement account described in section 530 of such code; or
19 a retirement bond described in section 409 of such code as in effect
20 before January 1, 1984. The term "employee benefit plan" also means
21 any rights accruing on account of money paid currently or in advance
22 for purchase of tuition units under the advanced college tuition
23 payment program in chapter 28B.95 RCW. The term "employee benefit
24 plan" shall not include any employee benefit plan that is established
25 or maintained for its employees by the government of the United States,
26 by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32,
27 41.34, 41.35, 41.40 or 43.43 RCW or RCW 41.50.770, or by any agency or
28 instrumentality of the government of the United States.

29 (5) An employee benefit plan shall be deemed to be a spendthrift
30 trust, regardless of the source of funds, the relationship between the
31 trustee or custodian of the plan and the beneficiary, or the ability of
32 the debtor to withdraw or borrow or otherwise become entitled to
33 benefits from the plan before retirement. This subsection shall not
34 apply to child support collection actions issued under chapter 26.18,
35 26.23, or 74.20A RCW, if otherwise permitted by federal law, or to
36 collection actions for taxes imposed under Title 82A RCW (sections 101
37 through 809 of this act). This subsection shall permit benefits under
38 any such plan or arrangement to be payable to a spouse, former spouse,

1 child, or other dependent of a participant in such plan to the extent
2 expressly provided for in a qualified domestic relations order that
3 meets the requirements for such orders under the plan, or, in the case
4 of benefits payable under a plan described in sections 403(b) or 408 of
5 the internal revenue code of 1986, as amended, or section 409 of such
6 code as in effect before January 1, 1984, to the extent provided in any
7 order issued by a court of competent jurisdiction that provides for
8 maintenance or support.

9 (6) Unless contrary to applicable federal law, nothing contained in
10 subsection (3), (4), or (5) of this section shall be construed as a
11 termination or limitation of a spouse's community property interest in
12 an individual retirement account held in the name of or on account of
13 the other spouse, the account holder spouse. At the death of the
14 nonaccount holder spouse, the nonaccount holder spouse may transfer or
15 distribute the community property interest of the nonaccount holder
16 spouse in the account holder spouse's individual retirement account to
17 the nonaccount holder spouse's estate, testamentary trust, inter vivos
18 trust, or other successor or successors pursuant to the last will of
19 the nonaccount holder spouse or the law of intestate succession, and
20 that distributee may, but shall not be required to, obtain an order of
21 a court of competent jurisdiction, including a nonjudicial dispute
22 resolution agreement entered into pursuant to RCW 11.96.170 or other
23 order entered under chapter 11.96A RCW, to confirm the distribution.
24 For purposes of subsection (3) of this section, the distributee of the
25 nonaccount holder spouse's community property interest in an individual
26 retirement account shall be considered a person entitled to the full
27 protection of subsection (3) of this section. The nonaccount holder
28 spouse's consent to a beneficiary designation by the account holder
29 spouse with respect to an individual retirement account shall not,
30 absent clear and convincing evidence to the contrary, be deemed a
31 release, gift, relinquishment, termination, limitation, or transfer of
32 the nonaccount holder spouse's community property interest in an
33 individual retirement account. For purposes of this subsection, the
34 term "nonaccount holder spouse" means the spouse of the person in whose
35 name the individual retirement account is maintained. The term
36 "individual retirement account" includes an individual retirement
37 account and an individual retirement annuity both as described in
38 section 408 of the internal revenue code of 1986, as amended, a Roth

1 individual retirement account as described in section 408A of the
2 internal revenue code of 1986, as amended, and an individual retirement
3 bond as described in section 409 of the internal revenue code as in
4 effect before January 1, 1984. As used in this subsection, an order of
5 a court of competent jurisdiction includes an agreement, as that term
6 is used under RCW 11.96A.220.

7 **Sec. 1005.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to
8 read as follows:

9 (1) The right of any person to any future payment under the
10 provisions of this chapter shall not be transferable or assignable at
11 law or in equity, and none of the moneys paid or payable or the rights
12 existing under this chapter, shall be subject to execution, levy,
13 attachment, garnishment, or other legal process, or to the operation of
14 any bankruptcy or insolvency law. This section shall not be applicable
15 to any child support collection action taken under chapter 26.18,
16 26.23, or 74.20A RCW. Benefits under this chapter shall be payable to
17 a spouse or ex-spouse to the extent expressly provided for in any court
18 decree of dissolution or legal separation or in any court order or
19 court-approved property settlement agreement incident to any court
20 decree of dissolution or legal separation.

21 (2) Nothing in this chapter shall be construed to deprive any
22 participant, eligible to receive a pension hereunder, from receiving a
23 pension under any other act to which that participant may become
24 eligible by reason of services other than or in addition to his or her
25 services under this chapter.

26 (3) Subsection (1) of this section does not exempt any pension or
27 other benefit received under this chapter from tax under Title 82A RCW
28 (sections 101 through 809 of this act), nor does it prohibit the
29 department of retirement systems from complying with the tax
30 withholding requirements of that title.

31 **Sec. 1006.** RCW 41.32.052 and 1991 c 365 s 21 and 1991 c 35 s 63
32 are each reenacted and amended to read as follows:

33 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
34 section, the right of a person to a pension, an annuity, a retirement
35 allowance, or disability allowance, to the return of contributions, any
36 optional benefit or death benefit, any other right accrued or accruing

1 to any person under the provisions of this chapter and the moneys in
2 the various funds created by this chapter shall be unassignable, and
3 are hereby exempt from any state, county, municipal or other local tax,
4 and shall not be subject to execution, garnishment, attachment, the
5 operation of bankruptcy or insolvency laws, or other process of law
6 whatsoever.

7 (2) This section shall not be deemed to prohibit a beneficiary of
8 a retirement allowance who is eligible:

9 (a) Under RCW 41.05.080 from authorizing monthly deductions
10 therefrom for payment of premiums due on any group insurance policy or
11 plan issued for the benefit of a group comprised of public employees of
12 the state of Washington or its political subdivisions;

13 (b) Under a group health care benefit plan approved pursuant to RCW
14 28A.400.350 or 41.05.065 from authorizing monthly deductions therefrom,
15 of the amount or amounts of subscription payments, premiums, or
16 contributions to any person, firm, or corporation furnishing or
17 providing medical, surgical, and hospital care or other health care
18 insurance; or

19 (c) Under this system from authorizing monthly deductions therefrom
20 for payment of dues and other membership fees to any retirement
21 association composed of retired teachers and/or public employees
22 pursuant to a written agreement between the director and the retirement
23 association.

24 Deductions under (a) and (b) of this subsection shall be made in
25 accordance with rules that may be adopted by the director.

26 (3) Subsection (1) of this section shall not prohibit the
27 department from complying with (a) a wage assignment order for child
28 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
29 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
30 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
31 benefits assignment order issued by the department, (e) a court order
32 directing the department of retirement systems to pay benefits directly
33 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
34 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
35 administrative or court order expressly authorized by federal law.

36 (4) Subsection (1) of this section does not exempt any pension or
37 other benefit received under this chapter from tax under Title 82A RCW

1 (sections 101 through 809 of this act), nor does it prohibit the
2 department of retirement systems from complying with the tax
3 withholding requirements of that title.

4 **Sec. 1007.** RCW 41.35.100 and 1998 c 341 s 11 are each amended to
5 read as follows:

6 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
7 section, the right of a person to a pension, an annuity, or retirement
8 allowance, any optional benefit, any other right accrued or accruing to
9 any person under the provisions of this chapter, the various funds
10 created by this chapter, and all moneys and investments and income
11 thereof, are hereby exempt from any state, county, municipal, or other
12 local tax, and shall not be subject to execution, garnishment,
13 attachment, the operation of bankruptcy or insolvency laws, or other
14 process of law whatsoever, and shall be unassignable.

15 (2) This section does not prohibit a beneficiary of a retirement
16 allowance from authorizing deductions therefrom for payment of premiums
17 due on any group insurance policy or plan issued for the benefit of a
18 group comprised of public employees of the state of Washington or its
19 political subdivisions and which has been approved for deduction in
20 accordance with rules that may be adopted by the state health care
21 authority and/or the department. This section also does not prohibit
22 a beneficiary of a retirement allowance from authorizing deductions
23 therefrom for payment of dues and other membership fees to any
24 retirement association or organization the membership of which is
25 composed of retired public employees, if a total of three hundred or
26 more of such retired employees have authorized such deduction for
27 payment to the same retirement association or organization.

28 (3) Subsection (1) of this section does not prohibit the department
29 from complying with (a) a wage assignment order for child support
30 issued pursuant to chapter 26.18 RCW, (b) an order to withhold and
31 deliver issued pursuant to chapter 74.20A RCW, (c) a notice of payroll
32 deduction issued pursuant to RCW 26.23.060, (d) a mandatory benefits
33 assignment order issued by the department, (e) a court order directing
34 the department of retirement systems to pay benefits directly to an
35 obligee under a dissolution order as defined in RCW 41.50.500(3) which
36 fully complies with RCW 41.50.670 and 41.50.700, or (f) any
37 administrative or court order expressly authorized by federal law.

1 (4) Subsection (1) of this section does not exempt any pension or
2 other benefit received under this chapter from tax under Title 82A RCW
3 (sections 101 through 809 of this act), nor does it prohibit the
4 department of retirement systems from complying with the tax
5 withholding requirements of that title.

6 **Sec. 1008.** RCW 41.40.052 and 1999 c 83 s 1 are each amended to
7 read as follows:

8 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
9 section, the right of a person to a pension, an annuity, or retirement
10 allowance, any optional benefit, any other right accrued or accruing to
11 any person under the provisions of this chapter, the various funds
12 created by this chapter, and all moneys and investments and income
13 thereof, are hereby exempt from any state, county, municipal, or other
14 local tax, and shall not be subject to execution, garnishment,
15 attachment, the operation of bankruptcy or insolvency laws, or other
16 process of law whatsoever, and shall be unassignable.

17 (2)(a) This section shall not be deemed to prohibit a beneficiary
18 of a retirement allowance from authorizing deductions therefrom for
19 payment of premiums due on any group insurance policy or plan issued
20 for the benefit of a group comprised of public employees of the state
21 of Washington or its political subdivisions and which has been approved
22 for deduction in accordance with rules that may be adopted by the state
23 health care authority and/or the department, and this section shall not
24 be deemed to prohibit a beneficiary of a retirement allowance from
25 authorizing deductions therefrom for payment of dues and other
26 membership fees to any retirement association or organization the
27 membership of which is composed of retired public employees, if a total
28 of three hundred or more of such retired employees have authorized such
29 deduction for payment to the same retirement association or
30 organization.

31 (b) This section does not prohibit a beneficiary of a retirement
32 allowance from authorizing deductions from that allowance for
33 charitable purposes on the same terms as employees and public officers
34 under RCW 41.04.035 and 41.04.036.

35 (3) Subsection (1) of this section shall not prohibit the
36 department from complying with (a) a wage assignment order for child
37 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold

1 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
2 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
3 benefits assignment order issued by the department, (e) a court order
4 directing the department of retirement systems to pay benefits directly
5 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
6 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
7 administrative or court order expressly authorized by federal law.

8 (4) Subsection (1) of this section does not exempt any pension or
9 other benefit received under this chapter from tax under Title 82A RCW
10 (sections 101 through 809 of this act), nor does it prohibit the
11 department of retirement systems from complying with the tax
12 withholding requirements of that title.

13 **Sec. 1009.** RCW 41.44.240 and 1989 c 360 s 28 are each amended to
14 read as follows:

15 (1) The right of a person to a pension, annuity or a retirement
16 allowance, to the return of contribution, the pension, annuity or
17 retirement allowance itself, any optional benefit, any other right
18 accrued or accruing to any person under the provisions of this chapter,
19 and the moneys in the fund created under this chapter shall not be
20 subject to execution, garnishment, or any other process whatsoever.

21 (2) This section shall not apply to child support collection
22 actions taken under chapter 26.18, 26.23, or 74.20A RCW against
23 benefits payable under any such plan or arrangement. Benefits under
24 this chapter shall be payable to a spouse or ex-spouse to the extent
25 expressly provided for in any court decree of dissolution or legal
26 separation or in any court order or court-approved property settlement
27 agreement incident to any court decree of dissolution or legal
28 separation.

29 (3) Subsection (1) of this section does not exempt any pension or
30 other benefit received under this chapter from tax under Title 82A RCW
31 (sections 101 through 809 of this act), nor does it prohibit the
32 department of retirement systems from complying with the tax
33 withholding requirements of that title.

34 **Sec. 1010.** RCW 41.26.053 and 1991 c 365 s 20 and 1991 c 35 s 25
35 are each reenacted and amended to read as follows:

36 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this

1 section, the right of a person to a retirement allowance, disability
2 allowance, or death benefit, to the return of accumulated
3 contributions, the retirement, disability or death allowance itself,
4 any optional benefit, any other right accrued or accruing to any person
5 under the provisions of this chapter, and the moneys in the fund
6 created under this chapter, are hereby exempt from any state, county,
7 municipal, or other local tax and shall not be subject to execution,
8 garnishment, attachment, the operation of bankruptcy or insolvency
9 laws, or any other process of law whatsoever, and shall be
10 unassignable.

11 (2) On the written request of any person eligible to receive
12 benefits under this section, the department may deduct from such
13 payments the premiums for life, health, or other insurance. The
14 request on behalf of any child or children shall be made by the legal
15 guardian of such child or children. The department may provide for
16 such persons one or more plans of group insurance, through contracts
17 with regularly constituted insurance carriers or health care service
18 contractors.

19 (3) Subsection (1) of this section shall not prohibit the
20 department from complying with (a) a wage assignment order for child
21 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
22 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
23 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
24 benefits assignment order issued by the department, (e) a court order
25 directing the department of retirement systems to pay benefits directly
26 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
27 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
28 administrative or court order expressly authorized by federal law.

29 (4) Subsection (1) of this section does not exempt any pension or
30 other benefit received under this chapter from tax under Title 82A RCW
31 (sections 101 through 809 of this act), nor does it prohibit the
32 department of retirement systems from complying with the tax
33 withholding requirements of that title.

34 **Sec. 1011.** RCW 43.43.310 and 1991 c 365 s 23 are each amended to
35 read as follows:

36 (1) Except as provided in subsections (2) (~~and~~), (3), and (4) of
37 this section, the right of any person to a retirement allowance or

1 optional retirement allowance under the provisions hereof and all
2 moneys and investments and income thereof are exempt from any state,
3 county, municipal, or other local tax and shall not be subject to
4 execution, garnishment, attachment, the operation of bankruptcy or the
5 insolvency laws, or other processes of law whatsoever and shall be
6 unassignable except as herein specifically provided.

7 (2) Subsection (1) of this section shall not prohibit the
8 department of retirement systems from complying with (a) a wage
9 assignment order for child support issued pursuant to chapter 26.18
10 RCW, (b) an order to withhold and deliver issued pursuant to chapter
11 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW
12 26.23.060, (d) a mandatory benefits assignment order issued pursuant to
13 chapter 41.50 RCW, (e) a court order directing the department of
14 retirement systems to pay benefits directly to an obligee under a
15 dissolution order as defined in RCW 41.50.500(3) which fully complies
16 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
17 order expressly authorized by federal law.

18 (3) Subsection (1) of this section shall not be deemed to prohibit
19 a beneficiary of a retirement allowance from authorizing deductions
20 therefrom for payment of premiums due on any group insurance policy or
21 plan issued for the benefit of a group comprised of members of the
22 Washington state patrol or other public employees of the state of
23 Washington, or for contributions to the Washington state patrol
24 memorial foundation.

25 (4) Subsection (1) of this section does not exempt any pension or
26 other benefit received under this chapter from tax under Title 82A RCW
27 (sections 101 through 809 of this act), nor does it prohibit the
28 department of retirement systems from complying with the tax
29 withholding requirements of that title.

30 NEW SECTION. Sec. 1012. RCW 6.15.025 (Exemption of pension or
31 retirement plan benefits from execution for judgment for out-of-state
32 income tax) and 1991 c 123 s 3 are each repealed.

33 **PART XI**

34 **REDUCING THE STATE SALES TAX**

1 calendar year 2007 the state shall levy for collection in the following
2 year for the support of common schools of the state a tax of three
3 dollars and sixty cents per thousand dollars of assessed value upon the
4 assessed valuation of all taxable property within the state adjusted to
5 the state equalized value in accordance with the indicated ratio fixed
6 by the state department of revenue. The state may not levy a tax for
7 collection in calendar year 2009.

8 As used in this section, "the support of common schools" includes
9 the payment of the principal and interest on bonds issued for capital
10 construction projects for the common schools.

11 **Sec. 1202.** RCW 84.52.068 and 2005 c 514 s 1104 are each amended to
12 read as follows:

13 (1) A portion of the proceeds of the state property tax levy
14 through calendar year 2008 and the state income tax beginning in
15 calendar year 2009 shall be deposited into the student achievement fund
16 as provided in this section.

17 (2)(a) The amount of the deposit shall be based upon the average
18 number of full-time equivalent students in the school districts during
19 the previous school year as reported to the office of the
20 superintendent of public instruction by August 31st of the previous
21 school year.

22 (b) For the 2004-2005 through 2007-2008 school years, an annual
23 amount equal to two hundred fifty-four dollars per full-time equivalent
24 student in all school districts shall be deposited in the student
25 achievement fund.

26 (c) For the 2008-2009 school year, an annual amount equal to two
27 hundred sixty-five dollars per full-time equivalent student in all
28 school districts shall be deposited in the student achievement fund.

29 (d) For the 2009-2010 school year, an annual amount equal to two
30 hundred seventy-seven dollars per full-time equivalent student in all
31 school districts shall be deposited in the student achievement fund.

32 (e) For the 2010-2011 school year and each year thereafter, an
33 annual amount equal to two hundred seventy-eight dollars per full-time
34 equivalent student in all school districts shall be deposited in the
35 student achievement fund.

36 (f) The school district annual amounts shall be deposited based on
37 the monthly apportionment schedule as defined in RCW 28A.510.250. The

1 office of the superintendent of public instruction shall notify the
2 department of the monthly amounts to be deposited into the student
3 achievement fund to meet the apportionment schedule.

4 **Sec. 1203.** RCW 84.52.043 and 2005 c 122 s 3 are each amended to
5 read as follows:

6 Within and subject to the limitations imposed by RCW 84.52.050 as
7 amended, the regular ad valorem tax levies upon real and personal
8 property by the taxing districts hereafter named shall be as follows:

9 (1) Levies of the senior taxing districts shall be as follows: (a)
10 ~~((The levy by the state shall not exceed three dollars and sixty cents~~
11 ~~per thousand dollars of assessed value adjusted to the state equalized~~
12 ~~value in accordance with the indicated ratio fixed by the state~~
13 ~~department of revenue to be used exclusively for the support of the~~
14 ~~common schools; (b))~~ The levy by any county shall not exceed one
15 dollar and eighty cents per thousand dollars of assessed value; ~~((+e))~~
16 (b) the levy by any road district shall not exceed two dollars and
17 twenty-five cents per thousand dollars of assessed value; and ~~((+d))~~
18 (c) the levy by any city or town shall not exceed three dollars and
19 thirty-seven and one-half cents per thousand dollars of assessed value.
20 However any county is hereby authorized to increase its levy from one
21 dollar and eighty cents to a rate not to exceed two dollars and forty-
22 seven and one-half cents per thousand dollars of assessed value for
23 general county purposes if the total levies for both the county and any
24 road district within the county do not exceed four dollars and five
25 cents per thousand dollars of assessed value, and no other taxing
26 district has its levy reduced as a result of the increased county levy.

27 (2) The aggregate levies of junior taxing districts and senior
28 taxing districts ~~((, other than the state, shall))~~ may not exceed five
29 dollars and ninety cents per thousand dollars of assessed valuation.
30 The term "junior taxing districts" includes all taxing districts other
31 than the state, counties, road districts, cities, towns, port
32 districts, and public utility districts. The limitations provided in
33 this subsection shall not apply to: (a) Levies at the rates provided
34 by existing law by or for any port or public utility district; (b)
35 excess property tax levies authorized in Article VII, section 2 of the
36 state Constitution; (c) levies for acquiring conservation futures as
37 authorized under RCW 84.34.230; (d) levies for emergency medical care

1 or emergency medical services imposed under RCW 84.52.069; (e) levies
2 to finance affordable housing for very low-income housing imposed under
3 RCW 84.52.105; (f) the portions of levies by metropolitan park
4 districts that are protected under RCW 84.52.120; (g) levies imposed by
5 ferry districts under RCW 36.54.130; (h) levies for criminal justice
6 purposes under RCW 84.52.135; and (i) the portions of levies by fire
7 protection districts that are protected under RCW 84.52.125.

8 **Sec. 1204.** RCW 84.52.050 and 1973 1st ex.s. c 194 s 1 are each
9 amended to read as follows:

10 (1) Except as hereinafter provided, the aggregate of all tax levies
11 upon real and personal property by the state and all taxing districts,
12 now existing or hereafter created, (~~shall~~) may not in any year exceed
13 (~~one percentum~~) sixty-four one-hundredths of one percent of the true
14 and fair value of such property in money(~~PROVIDED, HOWEVER, That~~).

15 (2) Nothing herein shall prevent levies at the rates now provided
16 by law by or for any port or public utility district. The term "taxing
17 district" for the purposes of this section shall mean any political
18 subdivision, municipal corporation, district, or other governmental
19 agency authorized by law to levy, or have levied for it, ad valorem
20 taxes on property, other than a port or public utility district. Such
21 aggregate limitation or any specific limitation imposed by law in
22 conformity therewith may be exceeded only as authorized by law and in
23 conformity with the provisions of Article VII, section 2(a), (b), or
24 (c) of the Constitution of the state of Washington.

25 (3) Nothing herein contained shall prohibit the legislature from
26 allocating or reallocating the authority to levy taxes between the
27 taxing districts of the state and its political subdivisions in a
28 manner which complies with the aggregate tax limitation set forth in
29 this section.

30 **Sec. 1205.** RCW 36.58.150 and 1984 c 186 s 25 are each amended to
31 read as follows:

32 (1) A solid waste disposal district shall not have the power to
33 levy an annual levy without voter approval, but it shall have the power
34 to levy a tax, in excess of the (~~one percent~~) limitation in RCW
35 84.52.050, upon the property within the district for a one year period

1 to be used for operating or capital purposes whenever authorized by the
2 electors of the district pursuant to RCW 84.52.052 and Article VII,
3 section 2(a) of the state Constitution.

4 A solid waste disposal district may issue general obligation bonds
5 for capital purposes only, subject to the limitations prescribed in RCW
6 39.36.020(1), and may provide for the retirement of the bonds by voter-
7 approved bond retirement tax levies pursuant to Article VII, section
8 2(b) of the state Constitution and RCW 84.52.056. Such general
9 obligation bonds shall be issued and sold in accordance with chapter
10 39.46 RCW.

11 A solid waste disposal district may issue revenue bonds to fund its
12 activities. Such revenue bonds may be in any form, including bearer
13 bonds or registered bonds as provided in RCW 39.46.030.

14 (2) Notwithstanding subsection (1) of this section, such revenue
15 bonds may be issued and sold in accordance with chapter 39.46 RCW.

16 **Sec. 1206.** RCW 36.60.040 and 1983 c 303 s 11 are each amended to
17 read as follows:

18 A county rail district is not authorized to impose a regular ad
19 valorem property tax levy but may:

20 (1) Levy an ad valorem property tax, in excess of the (~~one~~
21 ~~percent~~) limitation in RCW 84.52.050, upon the property within the
22 district for a one-year period to be used for operating or capital
23 purposes whenever authorized by the voters of the district pursuant to
24 RCW 84.52.052 and Article VII, section 2(a) of the state Constitution.

25 (2) Provide for the retirement of voter approved general obligation
26 bonds, issued for capital purposes only, by levying bond retirement ad
27 valorem property tax levies, in excess of the one percent limitation,
28 whenever authorized by the voters of the district pursuant to Article
29 VII, section 2(b) of the state Constitution and RCW 84.52.056.

30 **Sec. 1207.** RCW 36.69.145 and 1994 c 156 s 3 are each amended to
31 read as follows:

32 (1) A park and recreation district may impose regular property tax
33 levies in an amount equal to sixty cents or less per thousand dollars
34 of assessed value of property in the district in each year for six
35 consecutive years when specifically authorized so to do by a majority
36 of at least three-fifths of the voters thereof approving a proposition

1 authorizing the levies submitted at a special election or at the
2 regular election of the district, at which election the number of
3 voters voting "yes" on the proposition shall constitute three-fifths of
4 a number equal to forty per centum of the number of voters voting in
5 such district at the last preceding general election when the number of
6 voters voting on the proposition does not exceed forty per centum of
7 the number of voters voting in such taxing district in the last
8 preceding general election; or by a majority of at least three-fifths
9 of the voters thereof voting on the proposition if the number of voters
10 voting on the proposition exceeds forty per centum of the number of
11 voters voting in such taxing district in the last preceding general
12 election. A proposition authorizing the tax levies shall not be
13 submitted by a park and recreation district more than twice in any
14 twelve-month period. Ballot propositions shall conform with RCW
15 (~~29.30.111~~) 29A.36.210. In the event a park and recreation district
16 is levying property taxes, which in combination with property taxes
17 levied by other taxing districts subject to the (~~one percent~~)
18 limitation provided for in (~~Article 7, section 2, of our state~~
19 ~~Constitution~~) RCW 84.52.050 that result in taxes in excess of the
20 limitation provided for in RCW 84.52.043, the park and recreation
21 district property tax levy shall be reduced or eliminated before the
22 property tax levies of other taxing districts are reduced.

23 (2) The limitation in RCW 84.55.010 shall not apply to the first
24 levy imposed under this section following the approval of the levies by
25 the voters under subsection (1) of this section.

26 **Sec. 1208.** RCW 36.73.060 and 2005 c 336 s 6 are each amended to
27 read as follows:

28 (1) A district may levy an ad valorem property tax in excess of the
29 (~~one percent~~) limitation in RCW 84.52.050 upon the property within
30 the district for a one-year period whenever authorized by the voters of
31 the district pursuant to RCW 84.52.052 and Article VII, section 2(a) of
32 the state Constitution.

33 (2) A district may provide for the retirement of voter-approved
34 general obligation bonds, issued for capital purposes only, by levying
35 bond retirement ad valorem property tax levies in excess of the one
36 percent limitation whenever authorized by the voters of the district

1 pursuant to Article VII, section 2(b) of the state Constitution and RCW
2 84.52.056.

3 **Sec. 1209.** RCW 36.83.030 and 1983 c 130 s 3 are each amended to
4 read as follows:

5 (1) A service district may levy an ad valorem property tax, in
6 excess of the (~~one percent~~) limitation in RCW 84.52.050, upon the
7 property within the district for a one-year period whenever authorized
8 by the voters of the district pursuant to RCW 84.52.052 and Article
9 VII, section 2(a) of the state Constitution.

10 (2) A service district may provide for the retirement of voter
11 approved general obligation bonds, issued for capital purposes only, by
12 levying bond retirement ad valorem property tax levies, in excess of
13 the one percent limitation, whenever authorized by the voters of the
14 district pursuant to Article VII, section 2(b) of the state
15 Constitution and RCW 84.52.056.

16 **Sec. 1210.** RCW 36.100.050 and 1988 ex.s. c 1 s 15 are each amended
17 to read as follows:

18 (1) A public facilities district may levy an ad valorem property
19 tax, in excess of the (~~one percent~~) limitation in RCW 84.52.050, upon
20 the property within the district for a one-year period to be used for
21 operating or capital purposes whenever authorized by the voters of the
22 district pursuant to RCW 84.52.052 and Article VII, section 2(a) of the
23 state Constitution.

24 (2) A public facilities district may provide for the retirement of
25 voter-approved general obligation bonds, issued for capital purposes
26 only, by levying bond retirement ad valorem property tax levies, in
27 excess of the one percent limitation, whenever authorized by the voters
28 of the district pursuant to Article VII, section 2(b) of the state
29 Constitution and RCW 84.52.056.

30 **Sec. 1211.** RCW 67.38.130 and 1984 c 131 s 4 are each amended to
31 read as follows:

32 The governing body of a cultural arts, stadium and convention
33 district may levy or cause to levy the following ad valorem taxes:

34 (1) Regular ad valorem property tax levies in an amount equal to
35 twenty-five cents or less per thousand dollars of the assessed value of

1 property in the district in each year for six consecutive years when
2 specifically authorized so to do by a majority of at least three-fifths
3 of the electors thereof approving a proposition authorizing the levies
4 submitted at a general or special election, at which election the
5 number of persons voting "yes" on the proposition shall constitute
6 three-fifths of a number equal to forty percentum of the total votes
7 cast in such taxing district at the last preceding general election; or
8 by a majority of at least three-fifths of the electors thereof voting
9 on the proposition when the number of electors voting yes on the
10 proposition exceeds forty percentum of the total votes cast in such
11 taxing district in the last preceding general election. Ballot
12 propositions shall conform with RCW (~~((29.30.111))~~) 29A.36.210.

13 In the event a cultural arts, stadium and convention district is
14 levying property taxes, which in combination with property taxes levied
15 by other taxing districts subject to the (~~((one percent))~~) limitation
16 provided for in (~~((Article VII, section 2, of our state Constitution))~~)
17 RCW 84.52.050 result in taxes in excess of the limitation provided for
18 in RCW 84.52.043, the cultural arts, stadium and convention district
19 property tax levy shall be reduced or eliminated before the property
20 tax levies of other taxing districts are reduced: PROVIDED, That no
21 cultural arts, stadium, and convention district may pledge anticipated
22 revenues derived from the property tax herein authorized as security
23 for payments of bonds issued pursuant to subsection (1) of this
24 section: PROVIDED, FURTHER, That such limitation shall not apply to
25 property taxes approved pursuant to subsections (2) and (3) of this
26 section.

27 The limitation in RCW 84.55.010 shall apply to levies after the
28 first levy authorized under this section following the approval of such
29 levy by voters pursuant to this section.

30 (2) An annual excess ad valorem property tax for general district
31 purposes when authorized by the district voters in the manner
32 prescribed by (~~((section 2,))~~) Article VII, section 2 of the state
33 Constitution and by RCW 84.52.052.

34 (3) Multi-year excess ad valorem property tax levies used to retire
35 general obligation bond issues when authorized by the district voters
36 in the manner prescribed by (~~((section 2,))~~) Article VII, section 2 of
37 the state Constitution and by RCW 84.52.056.

1 The district shall include in its regular property tax levy for
2 each year a sum sufficient to pay the interest and principal on all
3 outstanding general obligation bonds issued without voter approval
4 pursuant to RCW 67.38.110 and may include a sum sufficient to create a
5 sinking fund for the redemption of all outstanding bonds.

6 **Sec. 1212.** RCW 84.52.010 and 2005 c 122 s 2 are each amended to
7 read as follows:

8 Except as is permitted under RCW 84.55.050, all taxes shall be
9 levied or voted in specific amounts.

10 The rate percent of all taxes for state and county purposes, and
11 purposes of taxing districts coextensive with the county, shall be
12 determined, calculated and fixed by the county assessors of the
13 respective counties, within the limitations provided by law, upon the
14 assessed valuation of the property of the county, as shown by the
15 completed tax rolls of the county, and the rate percent of all taxes
16 levied for purposes of taxing districts within any county shall be
17 determined, calculated and fixed by the county assessors of the
18 respective counties, within the limitations provided by law, upon the
19 assessed valuation of the property of the taxing districts
20 respectively.

21 When a county assessor finds that the aggregate rate of tax levy on
22 any property, that is subject to the limitations set forth in RCW
23 84.52.043 or 84.52.050, exceeds the limitations provided in either of
24 these sections, the assessor shall recompute and establish a
25 consolidated levy in the following manner:

26 (1) The full certified rates of tax levy for state, county, county
27 road district, and city or town purposes shall be extended on the tax
28 rolls in amounts not exceeding the limitations established by law;
29 however any state levy shall take precedence over all other levies and
30 shall not be reduced for any purpose other than that required by RCW
31 84.55.010. If, as a result of the levies imposed under RCW 84.52.125,
32 84.52.135, 36.54.130, 84.52.069, 84.34.230, the portion of the levy by
33 a metropolitan park district that was protected under RCW 84.52.120,
34 and 84.52.105, the combined rate of regular property tax levies that
35 are subject to the ~~((one percent))~~ limitation in RCW 84.52.050 exceeds
36 ~~((one percent of the true and fair value of any property))~~ the

1 limitation under RCW 84.52.050, then these levies shall be reduced as
2 follows:

3 (a) The portion of the levy by a fire protection district that is
4 protected under RCW 84.52.125 shall be reduced until the combined rate
5 no longer exceeds (~~one percent of the true and fair value of any~~
6 ~~property~~) the limitation under RCW 84.52.050 or shall be eliminated;

7 (b) If the combined rate of regular property tax levies that are
8 subject to the (~~one percent~~) limitation in RCW 84.52.050 still
9 exceeds (~~one percent of the true and fair value of any property~~) the
10 limitation in RCW 84.52.050, the levy imposed by a county under RCW
11 84.52.135 must be reduced until the combined rate no longer exceeds
12 (~~one percent of the true and fair value of any property~~) the
13 limitation under RCW 84.52.050 or must be eliminated;

14 (c) If the combined rate of regular property tax levies that are
15 subject to the (~~one percent~~) limitation under RCW 84.52.050 still
16 exceeds one percent of the true and fair value of any property, the
17 levy imposed by a ferry district under RCW 36.54.130 must be reduced
18 until the combined rate no longer exceeds (~~one percent of the true and~~
19 ~~fair value of any property~~) the limitation under RCW 84.52.050 or must
20 be eliminated;

21 (d) If the combined rate of regular property tax levies that are
22 subject to the (~~one percent~~) limitation under RCW 84.52.050 still
23 exceeds (~~one percent of the true and fair value of any property~~) the
24 limitation under RCW 84.52.050, the portion of the levy by a
25 metropolitan park district that is protected under RCW 84.52.120 shall
26 be reduced until the combined rate no longer exceeds (~~one percent of~~
27 ~~the true and fair value of any property~~) the limitation under RCW
28 84.52.050 or shall be eliminated;

29 (e) If the combined rate of regular property tax levies that are
30 subject to the (~~one percent~~) limitation under RCW 84.52.050 still
31 exceeds (~~one percent of the true and fair value of any property~~) the
32 limitation under RCW 84.52.050, then the levies imposed under RCW
33 84.34.230, 84.52.105, and any portion of the levy imposed under RCW
34 84.52.069 that is in excess of thirty cents per thousand dollars of
35 assessed value, shall be reduced on a pro rata basis until the combined
36 rate no longer exceeds one percent of the true and fair value of any
37 property or shall be eliminated; and

1 (f) If the combined rate of regular property tax levies that are
2 subject to the (~~one percent~~) limitation under RCW 84.52.050 still
3 exceeds (~~one percent of the true and fair value of any property~~) the
4 limitation under RCW 84.52.050, then the thirty cents per thousand
5 dollars of assessed value of tax levy imposed under RCW 84.52.069 shall
6 be reduced until the combined rate no longer exceeds (~~one percent of~~
7 ~~the true and fair value of any property~~) the limitation under RCW
8 84.52.050 or eliminated.

9 (2) The certified rates of tax levy subject to these limitations by
10 all junior taxing districts imposing taxes on such property shall be
11 reduced or eliminated as follows to bring the consolidated levy of
12 taxes on such property within the provisions of these limitations:

13 (a) First, the certified property tax levy rates of those junior
14 taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100,
15 and 67.38.130 shall be reduced on a pro rata basis or eliminated;

16 (b) Second, if the consolidated tax levy rate still exceeds these
17 limitations, the certified property tax levy rates of flood control
18 zone districts shall be reduced on a pro rata basis or eliminated;

19 (c) Third, if the consolidated tax levy rate still exceeds these
20 limitations, the certified property tax levy rates of all other junior
21 taxing districts, other than fire protection districts, regional fire
22 protection service authorities, library districts, the first fifty cent
23 per thousand dollars of assessed valuation levies for metropolitan park
24 districts, and the first fifty cent per thousand dollars of assessed
25 valuation levies for public hospital districts, shall be reduced on a
26 pro rata basis or eliminated;

27 (d) Fourth, if the consolidated tax levy rate still exceeds these
28 limitations, the first fifty cent per thousand dollars of assessed
29 valuation levies for metropolitan park districts created on or after
30 January 1, 2002, shall be reduced on a pro rata basis or eliminated;

31 (e) Fifth, if the consolidated tax levy rate still exceeds these
32 limitations, the certified property tax levy rates authorized to
33 regional fire protection service authorities under RCW 52.26.140(1) (b)
34 and (c) and fire protection districts under RCW 52.16.140 and 52.16.160
35 shall be reduced on a pro rata basis or eliminated; and

36 (f) Sixth, if the consolidated tax levy rate still exceeds these
37 limitations, the certified property tax levy rates authorized for
38 regional fire protection service authorities under RCW 52.26.140(1)(a),

1 fire protection districts under RCW 52.16.130, library districts,
2 metropolitan park districts created before January 1, 2002, under their
3 first fifty cent per thousand dollars of assessed valuation levy, and
4 public hospital districts under their first fifty cent per thousand
5 dollars of assessed valuation levy, shall be reduced on a pro rata
6 basis or eliminated.

7 **Sec. 1213.** RCW 84.69.020 and 2005 c 502 s 9 are each amended to
8 read as follows:

9 On the order of the county treasurer, ad valorem taxes paid before
10 or after delinquency shall be refunded if they were:

11 (1) Paid more than once;

12 (2) Paid as a result of manifest error in description;

13 (3) Paid as a result of a clerical error in extending the tax
14 rolls;

15 (4) Paid as a result of other clerical errors in listing property;

16 (5) Paid with respect to improvements which did not exist on
17 assessment date;

18 (6) Paid under levies or statutes adjudicated to be illegal or
19 unconstitutional;

20 (7) Paid as a result of mistake, inadvertence, or lack of knowledge
21 by any person exempted from paying real property taxes or a portion
22 thereof pursuant to RCW 84.36.381 through 84.36.389, as now or
23 hereafter amended;

24 (8) Paid as a result of mistake, inadvertence, or lack of knowledge
25 by either a public official or employee or by any person with respect
26 to real property in which the person paying the same has no legal
27 interest;

28 (9) Paid on the basis of an assessed valuation which was appealed
29 to the county board of equalization and ordered reduced by the board;

30 (10) Paid on the basis of an assessed valuation which was appealed
31 to the state board of tax appeals and ordered reduced by the board:
32 PROVIDED, That the amount refunded under subsections (9) and (10) of
33 this section shall only be for the difference between the tax paid on
34 the basis of the appealed valuation and the tax payable on the
35 valuation adjusted in accordance with the board's order;

36 (11) Paid as a state property tax levied upon property, the
37 assessed value of which has been established by the state board of tax

1 appeals for the year of such levy: PROVIDED, HOWEVER, That the amount
2 refunded shall only be for the difference between the state property
3 tax paid and the amount of state property tax which would, when added
4 to all other property taxes within the (~~one percent~~) limitation of
5 Article VII, section 2 of the state Constitution equal (~~one percent~~)
6 the percentage under RCW 84.52.050 of the assessed value established by
7 the board;

8 (12) Paid on the basis of an assessed valuation which was
9 adjudicated to be unlawful or excessive: PROVIDED, That the amount
10 refunded shall be for the difference between the amount of tax which
11 was paid on the basis of the valuation adjudged unlawful or excessive
12 and the amount of tax payable on the basis of the assessed valuation
13 determined as a result of the proceeding;

14 (13) Paid on property acquired under RCW 84.60.050, and canceled
15 under RCW 84.60.050(2);

16 (14) Paid on the basis of an assessed valuation that was reduced
17 under RCW 84.48.065;

18 (15) Paid on the basis of an assessed valuation that was reduced
19 under RCW 84.40.039; or

20 (16) Abated under RCW 84.70.010.

21 No refunds under the provisions of this section shall be made
22 because of any error in determining the valuation of property, except
23 as authorized in subsections (9), (10), (11), and (12) of this section
24 nor may any refunds be made if a bona fide purchaser has acquired
25 rights that would preclude the assessment and collection of the
26 refunded tax from the property that should properly have been charged
27 with the tax. Any refunds made on delinquent taxes shall include the
28 proportionate amount of interest and penalties paid. However, no
29 refunds as a result of an incorrect payment authorized under subsection
30 (8) of this section made by a third party payee shall be granted. The
31 county treasurer may deduct from moneys collected for the benefit of
32 the state's levy, refunds of the state levy including interest on the
33 levy as provided by this section and chapter 84.68 RCW.

34 The county treasurer of each county shall make all refunds
35 determined to be authorized by this section, and by the first Monday in
36 February of each year, report to the county legislative authority a
37 list of all refunds made under this section during the previous year.

1 The list is to include the name of the person receiving the refund, the
2 amount of the refund, and the reason for the refund.

3 **Sec. 1214.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1) "Assessed value of real property" means the valuation of real
8 property as placed on the last completed assessment roll.

9 (2) "Local government" means any city, town, county, port district,
10 or any combination thereof.

11 (3) "Ordinance" means any appropriate method of taking legislative
12 action by a local government.

13 (4) "Public improvements" means:

14 (a) Infrastructure improvements within the increment area that
15 include:

16 (i) Street and road construction and maintenance;

17 (ii) Water and sewer system construction and improvements;

18 (iii) Sidewalks and streetlights;

19 (iv) Parking, terminal, and dock facilities;

20 (v) Park and ride facilities of a transit authority;

21 (vi) Park facilities and recreational areas; and

22 (vii) Storm water and drainage management systems; and

23 (b) Expenditures for any of the following purposes:

24 (i) Providing environmental analysis, professional management,
25 planning, and promotion within the increment area, including the
26 management and promotion of retail trade activities in the increment
27 area;

28 (ii) Providing maintenance and security for common or public areas
29 in the increment area; or

30 (iii) Historic preservation activities authorized under RCW
31 35.21.395.

32 (5) "Public improvement costs" means the costs of: (a) Design,
33 planning, acquisition, site preparation, construction, reconstruction,
34 rehabilitation, improvement, and installation of public improvements;

35 (b) relocating, maintaining, and operating property pending
36 construction of public improvements; (c) relocating utilities as a
37 result of public improvements; (d) financing public improvements,

1 including interest during construction, legal and other professional
2 services, taxes, insurance, principal and interest costs on general
3 indebtedness issued to finance public improvements, and any necessary
4 reserves for general indebtedness; (e) assessments incurred in
5 revaluing real property for the purpose of determining the tax
6 allocation base value that are in excess of costs incurred by the
7 assessor in accordance with the revaluation plan under chapter 84.41
8 RCW, and the costs of apportioning the taxes and complying with this
9 chapter and other applicable law; and (f) administrative expenses and
10 feasibility studies reasonably necessary and related to these costs,
11 including related costs that may have been incurred before adoption of
12 the ordinance authorizing the public improvements and the use of
13 community revitalization financing to fund the costs of the public
14 improvements.

15 (6) "Regular property taxes" means regular property taxes as
16 defined in RCW 84.04.140, except(~~(a)~~) regular property taxes
17 levied by port districts or public utility districts specifically for
18 the purpose of making required payments of principal and interest on
19 general indebtedness(~~and (b) regular property taxes levied by the~~
20 ~~state for the support of the common schools under RCW 84.52.065~~).
21 Regular property taxes do not include excess property tax levies that
22 are exempt from the aggregate limits for junior and senior taxing
23 districts as provided in RCW 84.52.043.

24 (7) "Tax allocation base value" means the true and fair value of
25 real property located within an increment area for taxes imposed in the
26 year in which the increment area is created, plus twenty-five percent
27 of any increase in the true and fair value of real property located
28 within an increment area that is placed on the assessment rolls after
29 the increment area is created.

30 (8) "Tax allocation revenues" means those tax revenues derived from
31 the imposition of regular property taxes on the increment value and
32 distributed to finance public improvements.

33 (9) "Increment area" means the geographic area from which taxes are
34 to be appropriated to finance public improvements authorized under this
35 chapter.

36 (10) "Increment value" means seventy-five percent of any increase
37 in the true and fair value of real property in an increment area that
38 is placed on the tax rolls after the increment area is created.

1 (11) "Taxing districts" means a governmental entity that levies or
2 has levied for it regular property taxes upon real property located
3 within a proposed or approved increment area.

4 (12) "Value of taxable property" means the value of the taxable
5 property as defined in RCW 39.36.015.

6 **Sec. 1215.** RCW 43.99H.060 and 1991 sp.s. c 31 s 15 are each
7 amended to read as follows:

8 (1) For bonds issued for the purposes of RCW 43.99H.020(16), on
9 each date on which any interest or principal and interest payment is
10 due, the board of regents or the board of trustees of Washington State
11 University shall cause the amount computed in RCW 43.99H.040(1) to be
12 paid out of the appropriate building account or capital projects
13 account to the state treasurer for deposit into the general fund of the
14 state treasury.

15 (2) For bonds issued for the purposes of RCW 43.99H.020(15), on
16 each date on which any interest or principal and interest payment is
17 due, the state treasurer shall transfer the amount computed in RCW
18 43.99H.040(2) from the capitol campus reserve account, hereby created
19 in the state treasury, to the general fund of the state treasury. At
20 the time of sale of the bonds issued for the purposes of RCW
21 43.99H.020(15), and on or before June 30th of each succeeding year
22 while such bonds remain outstanding, the state finance committee shall
23 determine, based on current balances and estimated receipts and
24 expenditures from the capitol campus reserve account, that portion of
25 principal and interest on such RCW 43.99H.020(15) bonds which will, by
26 virtue of payments from the capitol campus reserve account, be
27 reimbursed from sources other than "general state revenues" as that
28 term is defined in Article VIII, section 1 of the state Constitution.
29 The amount so determined by the state finance committee, as from time
30 to time adjusted in accordance with this subsection, shall not
31 constitute indebtedness for purposes of the limitations set forth in
32 RCW 39.42.060.

33 (3) For bonds issued for the purposes of RCW 43.99H.020(17), on
34 each date on which any interest or principal and interest payment is
35 due, the director of the department of labor and industries shall cause
36 fifty percent of the amount computed in RCW 43.99H.040(3) to be
37 transferred from the accident fund created in RCW 51.44.010 and fifty

1 percent of the amount computed in RCW 43.99H.040(3) to be transferred
2 from the medical aid fund created in RCW 51.44.020, to the general fund
3 of the state treasury.

4 (4) For bonds issued for the purposes of RCW 43.99H.020(18), on
5 each date on which any interest or principal and interest payment is
6 due, the board of regents of the University of Washington shall cause
7 the amount computed in RCW 43.99H.040(4) to be paid out of University
8 of Washington nonappropriated local funds to the state treasurer for
9 deposit into the general fund of the state treasury.

10 (5) For bonds issued for the purposes of RCW 43.99H.020(20), on
11 each date on which any interest or principal and interest payment is
12 due, the state treasurer shall transfer the amount computed in RCW
13 43.99H.040(5) from the public safety and education account created in
14 RCW 43.08.250 to the general fund of the state treasury.

15 ~~((6) For bonds issued for the purposes of RCW 43.99H.020(4), on
16 each date on which any interest or principal and interest payment is
17 due, the state treasurer shall transfer from property taxes in the
18 state general fund levied for the support of the common schools under
19 RCW 84.52.065 to the general fund of the state treasury for
20 unrestricted use the amount computed in RCW 43.99H.040(6).))~~

21 **Sec. 1216.** RCW 43.99I.040 and 1997 c 456 s 39 are each amended to
22 read as follows:

23 ~~(1) ((On each date on which any interest or principal and interest
24 payment is due on bonds issued for the purposes of RCW 43.99I.020(4),
25 the state treasurer shall transfer from property taxes in the state
26 general fund levied for this support of the common schools under RCW
27 84.52.065 to the general fund of the state treasury for unrestricted
28 use the amount computed in RCW 43.99I.030 for the bonds issued for the
29 purposes of RCW 43.99I.020(4)).~~

30 ~~(2))~~ On each date on which any interest or principal and interest
31 payment is due on bonds issued for the purposes of RCW 43.99I.020(5),
32 the state treasurer shall transfer from higher education operating fees
33 deposited in the general fund to the general fund of the state treasury
34 for unrestricted use, or if chapter 231, Laws of 1992 (Senate Bill No.
35 6285) becomes law and changes the disposition of higher education
36 operating fees from the general fund to another account, the state
37 treasurer shall transfer the proportional share from the University of

1 Washington operating fees account, the Washington State University
2 operating fees account, and the Central Washington University operating
3 fees account the amount computed in RCW 43.99I.030 for the bonds issued
4 for the purposes of RCW 43.99I.020(6).

5 ~~((+3))~~ (2) On each date on which any interest or principal and
6 interest payment is due on bonds issued for the purposes of RCW
7 43.99I.020(6), the state treasurer shall transfer from the data
8 processing revolving fund created in RCW 43.105.080 to the general fund
9 of the state treasury the amount computed in RCW 43.99I.030 for the
10 bonds issued for the purposes of RCW 43.99I.020(6).

11 ~~((+4))~~ (3) On each date on which any interest or principal and
12 interest payment is due on bonds issued for the purpose of RCW
13 43.99I.020(7), the Washington state dairy products commission shall
14 cause the amount computed in RCW 43.99I.030 for the bonds issued for
15 the purposes of RCW 43.99I.020(7) to be paid out of the commission's
16 general operating fund to the state treasurer for deposit into the
17 general fund of the state treasury.

18 ~~((+5))~~ (4) The higher education operating fee accounts for the
19 University of Washington, Washington State University, and Central
20 Washington University established by chapter 231, Laws of 1992 and
21 repealed by chapter 18, Laws of 1993 1st sp. sess. are reestablished in
22 the state treasury for purposes of fulfilling debt service
23 reimbursement transfers to the general fund required by bond
24 resolutions and covenants for bonds issued for purposes of RCW
25 43.99I.020(5).

26 ~~((+6))~~ (5) For bonds issued for purposes of RCW 43.99I.020(5), on
27 each date on which any interest or principal and interest payment is
28 due, the board of regents or board of trustees of the University of
29 Washington, Washington State University, or Central Washington
30 University shall cause the amount as determined by the state treasurer
31 to be paid out of the local operating fee account for deposit by the
32 universities into the state treasury higher education operating fee
33 accounts. The state treasurer shall transfer the proportional share
34 from the University of Washington operating fees account, the
35 Washington State University operating fees account, and the Central
36 Washington University operating fees account the amount computed in RCW
37 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020(6)
38 to reimburse the general fund.

PART XIII
MISCELLANEOUS

1
2
3 NEW SECTION. **Sec. 1301.** SEVERABILITY. If any provision of this
4 act or its application to any person or circumstance is held invalid,
5 the remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

7 NEW SECTION. **Sec. 1302.** CAPTIONS AND PART HEADINGS. Captions and
8 part headings used in this act are not any part of the law.

9 NEW SECTION. **Sec. 1303.** CODIFICATION. Sections 101 through 809
10 of this act constitute a new title in the Revised Code of Washington,
11 to be codified as Title 82A RCW.

12 NEW SECTION. **Sec. 1304.** CONTINGENT EFFECTIVE DATE. If the
13 proposed amendment to Article VII of the state Constitution authorizing
14 income taxes (SJR(S-0322/07)) is validly submitted and is approved
15 and ratified by the voters at a general election held in November 2007,
16 then section 1201 of this act takes effect January 1, 2008, and the
17 remainder of this act takes effect January 1, 2009. If the proposed
18 amendment is not approved and ratified, this entire act is null and
19 void in its entirety.

20 NEW SECTION. **Sec. 1305.** Sections 1201 through 1216 of this act
21 apply to taxes levied for collection in 2009.

22 NEW SECTION. **Sec. 1306.** RCW 84.52.068 is recodified as a section
23 in Title 82A RCW, created in section 1303 of this act.

24 NEW SECTION. **Sec. 1307.** If any amendments in this act, or any
25 sections enacted or affected by chapter . . . , Laws of 2007 (this
26 act), are enacted in a 2007 legislative session that do not take
27 cognizance of chapter . . . , Laws of 2007 (this act), the code reviser
28 shall prepare a bill for introduction in the 2008 or 2009 legislative
29 session that incorporates any such amendments into the reorganization
30 adopted by chapter . . . , Laws of 2007 (this act) and corrects any

1 incorrect cross-references.

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